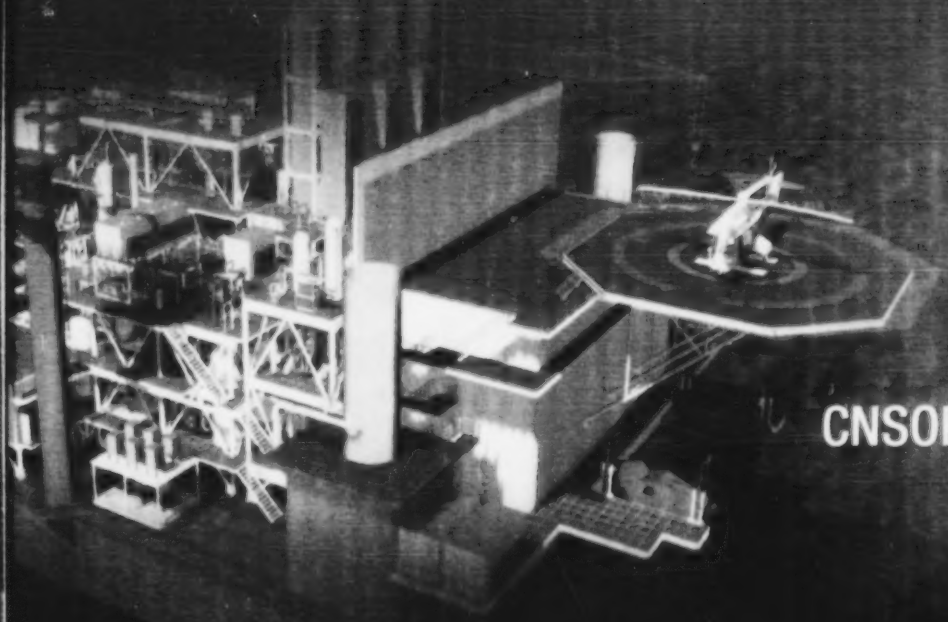
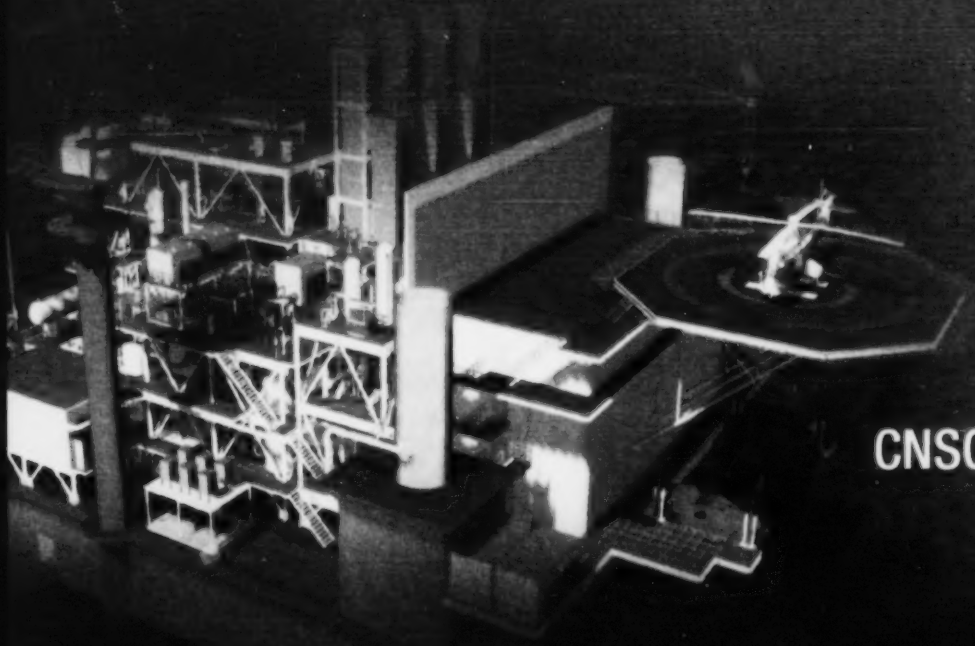
2007-08 ANNUAL REPORT



CNSOPB

CANADA-NOVA SCOTIA
OFFSHORE PETROLEUM BOARD

The front cover of the annual report shows an image of the proposed Production Field Centre for EnCana Corporation's Deep Panuke offshore gas project. Deep Panuke received regulatory approval in fiscal year 2007–08. Image credit: EnCana Corporation.



CNSOPB

CANADA-NOVA SCOTIA
OFFSHORE PETROLEUM BOARD

Annual Report

June 30, 2008

The Honourable Richard Hurlburt
Minister of Energy
Government of Nova Scotia
Suite 400, Bank of Montreal Building
5151 George Street
Halifax, Nova Scotia
B3J 1M5

The Honourable Gary Lunn
Minister of Natural Resources Canada
Government of Canada
580 Booth Street, 21st Floor
Ottawa, Ontario
K1A 0E4

Dear Ministers:

In accordance with the provisions of the legislation implementing the Canada-Nova Scotia Offshore Petroleum Resource Accord, and on behalf of the Board, I am pleased to submit the Annual Report, including the financial statements of the Canada-Nova Scotia Offshore Petroleum Board, for the fiscal year ended March 31, 2008.

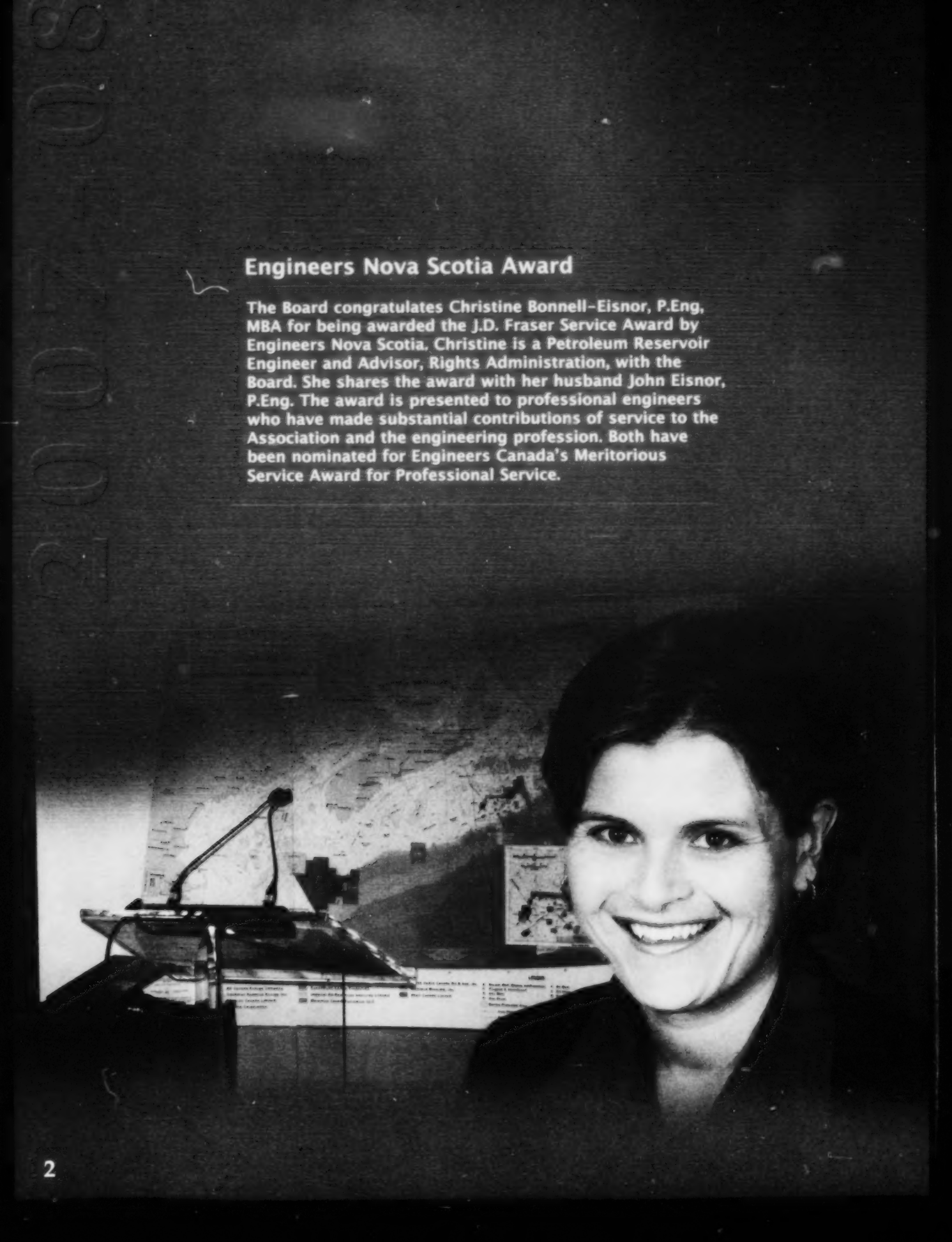
Respectively submitted,

Diana Lee Dalton

Diana Lee Dalton
Chair & Acting Chief Executive Officer

Engineers Nova Scotia Award

The Board congratulates Christine Bonnell-Eisnor, P.Eng, MBA for being awarded the J.D. Fraser Service Award by Engineers Nova Scotia. Christine is a Petroleum Reservoir Engineer and Advisor, Rights Administration, with the Board. She shares the award with her husband John Eisnor, P.Eng. The award is presented to professional engineers who have made substantial contributions of service to the Association and the engineering profession. Both have been nominated for Engineers Canada's Meritorious Service Award for Professional Service.



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Report From The Chair & Acting Chief Executive Officer

Our last year has been a very busy one for the Canada-Nova Scotia Offshore Petroleum Board – one the Board is happy to report met all the objectives we set for ourselves in our new strategic direction.

During the year, both the federal and provincial governments appointed alternate members to the Board. The federal appointment is Mr. Douglas Gregory, a geoscientist now retired, who has had wide industry experience. The province appointed Mr. Tim Brownlow who brings with him a wealth of knowledge of offshore operations and the Nova Scotia service industry.

This has also been a year of great accomplishments, made possible by our managers and most of all by our dedicated staff.

In early April we began the expansion of our Core Storage & Laboratory building (now called the Geoscience Research Centre). The change of name was appropriate as the Centre stores all of the geoscientific information from offshore Nova Scotia, information which is available to companies, academia and the public at large for study and research.

Even more importantly, we have set up our world-class Data Management Centre, which is housed at the Geoscience Research Centre in Dartmouth, Nova Scotia. The Data Management Centre stores geoscientific information so it can be accessed from any part of the world via the Internet. Our centre is the first of its kind in Canada and it is hoped that it will become the first part of an integrated National Data Centre. The software is leading edge and gives us a tremendous resource in focusing new exploration interest in our offshore. The Data Management Centre is also a tool to ensure that our data is properly preserved and catalogued for future generations. We have begun the immense process of scanning and loading data dating back to the 1950s. Accomplishing this goal since April of 2007 was a mammoth task and it was all done by our in-house staff. The Board members have always been extremely proud of the competency and efficiency of our staff and this project certainly demonstrates that pride is well placed.

Perhaps the most significant milestone was the approval of the Deep Panuke Offshore Gas Development project. In the spring the Public Review under the Co-Chairs, Linda Garber and Kenneth Bateman (National Energy Board), was conducted and reported to the Board. Having consulted with the governments and received the Public Review Report, the Board spent the summer putting together our Decision Report which was released in October following the federal Minister of Environment's decision in respect of the environmental assessment.

"We are excited about the prospects and initial response to date."

As part of our ongoing commitment to optimizing resource management, Board staff have been involved in issuing the first Board-led Call for Bids, which occurred in December of 2007. A lot of analysis and interpretation was done by our technical staff ahead of selecting the two land parcels which are open for bidding until June 30, 2008. We are excited about the prospects and the initial response to date. We plan to offer more lands in subsequent Calls for Bids each year.

There are a number of initiatives in which the Board has had some participation, including Nova Scotia's Offshore Plan. Our role has been to lend our geoscientific expertise to the province's initiatives in providing more and better geological data on our offshore. The Board is also providing technical support to the government led Frontier Offshore Regulatory Renewal Initiative (FORRI). FORRI's goal is to modernize the regulatory regime for Canada's frontier and offshore oil and gas sector. In addition we continued to develop our contacts with fellow regulators and geoscientists around the world. The Norwegian Petroleum Directorate visited us in October, and our Health and Safety team played a leadership role again at the International Regulators' Forum held in Miami, Florida. We were especially pleased to develop new contacts in Morocco, with which we share a common geology, and we hope to grow this cooperation in the coming years.

As part of our growing commitment to increasing the knowledge about our geology in our offshore, we also participated as resource and technical experts in a variety of international conferences where Board staff gave technical papers and supported the Province in its promotional activities. In addition, our 2007 Resource Assessment of the Deep Water reconfirmed the existence of significant hydrocarbon potential offshore Nova Scotia. The Deep Water is an area where the Board will continue to focus its technical expertise.

There has been much hard work and innovative thinking this past year and it is becoming an even stronger approach in the way our Board operates. New ideas and approaches, greater cooperation internationally with other regulators, and working in a cooperative spirit with the governments are important aspects to ensuring that this Board regulates in and for the public interest. We believe there are more exciting times ahead.

Diana Lee Dalton

Diana Lee Dalton
Chair & Acting Chief Executive Officer

"The Board has made progress in each of these areas."

1.0 Strategic Direction

The Board's 2007–08 Business Plan identified three key priorities as part of its strategic direction:

I. Implementing a governance matrix and developing a longer term strategic direction.
II. Developing and implementing a Human Resource strategy, including developing tools that would assist the Board with training and succession planning.
III. Optimizing Resource Management, including a greater focus on geoscience, developing new terms and conditions for Exploration Licenses and conducting Board-led Calls for Bids.

The Board has made progress in each of these areas. In the coming fiscal year, it will build on these successes by focusing on three related strategic priorities:

I. Organizational Excellence
II. Optimizing Resource Management
III. Regulatory Modernization

2.0 Regulatory Approval for EnCana's Deep Panuke Offshore Gas Development

The Board approved EnCana's Deep Panuke gas project, with conditions, on September 11, 2007. Under the Accord Acts, a project such as Deep Panuke can only proceed if the Canada-Nova Scotia Offshore Petroleum Board (CNSOPB) has approved a Canada-Nova Scotia Benefits Plan and a Development Plan.

EnCana's Board subsequently sanctioned the project and expects first gas in 2010. The regulatory review of the project took 11 months and involved a coordinated process between the CNSOPB, the National Energy Board (NEB), the Canadian Environmental Assessment Agency (CEAA), and other government departments.

"EnCana's Board subsequently sanctioned the project and expects first gas in 2010."

Background

The Board's approval marked the end of the review process which began in November, 2006, when EnCana Corporation submitted its Canada-Nova Scotia Benefits Plan and Development Plan to the Board for approval. Applications were also filed with the NEB. The filing of these applications, and requirements for certain approvals under federal legislation, triggered a Comprehensive Study environmental assessment under the Canadian Environmental Assessment Act (CEA Act).

The CNSOPB appointed a Commissioner to conduct a public review of EnCana's plans. The NEB authorized one of its members to hear evidence and acquire necessary information for the purpose of making a report and recommendation to the NEB. Pursuant to a Memorandum of Understanding (MOU) between the CNSOPB and the NEB, a coordinated and concurrent Public Process was held. This provided a forum for the receipt of public comments and evidence respecting the project, by both the CNSOPB and the NEB. The Public Process was also used by the Responsible Authorities (RAs) under the CEA Act as a means of collecting the views of the public to assist in the preparation of the Comprehensive Study Report (CSR). Oral public hearings were held in Halifax from March 5 to 9, 2007.

The Commissioner and NEB member submitted a Joint Environmental Report (JER) to the CNSOPB and NEB on April 11, 2007. On May 8, 2007, the Commissioner submitted her report on the remaining aspects of the project to the CNSOPB. Both of these reports were considered by the CNSOPB in reaching the decisions contained in its Decision Report.

The CSR process was completed in June of 2007 and the report was forwarded to the federal Minister of the Environment. He announced his decision in September 2007 stating it was his opinion that, taking into account the mitigation measures described in the CSR, the project is not likely to cause significant adverse environmental effects. It was a condition of the Board's approval of the Development Plan that the Operator comply with the commitments, mitigation and follow-up measures that are identified in the CSR.

Latest Activities

After receiving notice of project sanction from EnCana on October 26, 2007, the CNSOPB began monitoring and enforcing the conditions imposed by the decision report with regards to the proponent's Canada-Nova Scotia Benefits Plan and Development Plan. Updates on these conditions, where applicable, are contained in sections 3.1.4 and 5.3.

3.0 Health, Safety & Environment

Introduction

The health and safety of offshore workers and the protection of the environment is paramount for the CNSOPB in its review of operator requests for offshore work authorizations. As part of an application for an authorization to conduct a petroleum related activity offshore, an operator must demonstrate that it has robust safety and environmental management systems in place. An operator must also demonstrate that it has properly identified the health, safety, and environmental hazards associated with the proposed work activities, and that the associated risks have been evaluated and can be appropriately mitigated and managed.

Figure 1 provides a summary of work authorization applications that were submitted and approved between April 1, 2007 and March 31, 2008. This included a dive program at the Sable Offshore Energy Project (SOEP) Thebaud Process Platform, which was necessitated by a need to conduct certain underwater maintenance and inspection work. For the Deep Panuke Offshore Gas Development Project a geophysical program was undertaken to gather specific site related information in order to complete the detailed design of the project.

Figure 1 - Summary of Work Activities

ACTIVITY APPROVED	Number of Applications		
	2005-06	2006-07	2007-08
Drilling			
Drilling Program Authorization	1	1	-
Approval to Drill a Well	4[a]	-	-
Geophysical/Geotechnical/Geochemical			
Seismic	1	-	-
Seabed/Geological Evaluations	-	-	1
Cohasset Project - Post Removal Site Clearance Survey	-	1	-
Installations			
Application to Alter a Well	11	4	-
Authorization to Install:			
• Thebaud Facilities Modification (SOEP)	-	1	-
• Transport & Install Compression Platform (SOEP)	-	1	-
• Hook up & Commission Compression Platform (SOEP)	-	1	-
• Decommission/Abandon (Cohasset Project)	1	-	-
Diving			
Diving Program Authorization	1	-	1
Production			
Production Operations Authorization (SOEP):			
• Revised to Add Compression	-	1	-
Total	19	10	2

Note: a. Comprises three wells plus one sidetrack.

"The Board has an established compliance and enforcement policy to address regulatory non-compliance."

The CNSOPB has an effective monitoring program in place to evaluate operator compliance with health, safety and environmental regulatory requirements while conducting authorized petroleum related work activities. Operators must submit a variety of reports to the CNSOPB providing information on the status of their work programs and to confirm compliance with regulatory requirements. Operational status reports are provided on a daily basis for drilling and production activities, and on a weekly basis for other activities. Reports filed with the Board are reviewed by staff to identify health, safety and environmental compliance issues, and such issues are addressed accordingly. The Board also routinely reviews minutes from Joint Occupational Health & Safety (JOHS) Committee meetings held offshore to ensure that health and safety matters raised through this forum are dealt with appropriately by the operator.

Operators are required to report all accidents and other hazardous incidents that occur at their offshore work locations. These are defined in accordance with established criteria. In each case, the Board verifies that the operator takes appropriate action to determine the causes of the accidents or incidents and to prevent their recurrence. The Board reviews this information, as well as information from other independent sources, to determine possible trends and commonalities and to identify specific target areas for improvement.

Board staff regularly conduct health, safety and environmental compliance audits and inspections at offshore work sites, along with pre-inspections of vessels and installations prior to the Board's authorization to commence offshore activities. During the past year, Board staff made four offshore visits to vessels and installations for the purpose of conducting such audits and inspections.

The Board has an established compliance and enforcement policy to address regulatory non-compliance. Under this policy, the Board will normally seek voluntary compliance from the operator, but other possible actions may include: issuance of orders, directives or notices, suspension or revocation of approvals and authorizations, and prosecution.

Asset Integrity

Health, safety and environmental protection objectives must be achieved through the full life cycle of any offshore project. Among other things, this requires that operators have robust programs in place for assuring the ongoing integrity of their offshore assets, including drilling and production installations, development wells, subsea equipment, risers and pipelines. These programs need to be developed and implemented to ensure that the assets in question can continue to be operated safely without polluting the environment, in accordance with their original design specifications. The implementation of such programs is also necessary to help ensure the maximum recovery of hydrocarbon reserves, and become especially important in situations where the life cycle of a field may be extended.

Consistent with efforts being made by offshore petroleum regulators worldwide, the Board has been investigating industry and regulatory best practices with respect to asset integrity management. Such efforts include consultation with other international regulators (see section 3.1.5, International Regulators' Forum) and with industry.

The Board has also been actively supporting Petroleum Research Atlantic Canada (PRAC) efforts to stimulate research and development activities specific to asset integrity issues faced by Canadian east coast operators. In this regard, PRAC held an Asset Integrity Workshop in the Spring of 2007 at Dalhousie University in which the Board's Chief Safety Officer participated on the planning committee and as a presenter. The Board and PRAC also jointly hired a graduate student for a four-month internship to undertake work on corrosion under insulation as a follow-up to one of the significant issues identified during the workshop.

3.1 Health & Safety

3.1.1 Occupational Health and Safety Accord Act Amendments

Provincial and federal governments continue to finalize proposed amendments to the Accord Acts regarding offshore occupational health and safety. While this process continues, the Board's Occupational Health & Safety (OHS) Requirements remain in place to provide protection for offshore petroleum workers and direction to the operators. The Board's OHS Requirements are a condition of all activities authorized by the Board.

3.1.2 Injury Statistics

In the 2007 calendar year, there were 402,051 person hours worked under Board authority in the Nova Scotia Offshore Area. During that period, there were no disabling injuries (lost time or restricted work cases) reported (see Figure 2 for greater detail). This is the first time since the Board's inception that the frequency rate for disabling injuries in the Nova Scotia Offshore Area is 0.0. A disabling injury frequency rate of 0.0 is also the best safety record to date for the Sable Offshore Energy Project.

Figure 2 - Disabling Injury Statistics (2007)

Year	2003	2004	2005	2006	2007
Number of Disabling Injuries*					
Installations	3	5	1	4	0
Vessels	5	3	1	1	0
Aviation	0	0	0	0	0
Total	8	8	2	5	0
Person Hours					
Installations	899,260	839,526	601,669	740,755	274,080
Vessels	960,609	785,857	163,877	182,173	98,547
Aviation	57,004	66,907	45,635	54,620	29,424
Total	1,916,873	1,692,290	811,181	977,548	402,051
Frequency Rate (per 200,000 person hours)					
Installations	0.67	1.19	0.33	1.08	0
Vessels	1.04	0.76	1.22	1.10	0
Aviation	0	0	0	0	0
Total	0.83	0.95	0.49	1.02	0

* The term "disabling injury" means an employment injury or an occupational disease that:
(a) Prevents an employee from reporting for work or from effectively performing all the duties connected with the employee's regular work on any day subsequent to the day on which the disabling injury occurred, whether or not that subsequent day is a working day for that employee,
(b) Results in a loss by an employee of a body member or part thereof or in a complete loss of its usefulness, or
(c) Results in the permanent impairment of a body function of an employee.

3.1.3 Sable Offshore Energy Project

Production continued through the year from the Sable Offshore Energy Project (SOEP) in accordance with a Production Operations Authorization issued by the Board.

During the summer of 2007, the Board granted an authorization to the operator, ExxonMobil, to conduct a dive program adjacent to the SOEP Thebaud Process Platform using the M/V Northern River. Work associated with this dive program included:

- Grouting of the Thebaud Process Platform legs to reduce platform movement;
- Inspection and cleaning of the Alma pipeline subsurface isolation valve; and
- Inspection of certain underwater structural components and process piping.

In the Board's 2006-07 Annual Report, it was stated that a review of findings generated by Board audits and inspections, and a review of certifying authority (Lloyd's Register) survey reports, identified the need for a revision to the certifying authority's Scope of Work (SoW) for the SOEP. The SoW details those activities that the certifying authority is to undertake to assure the ongoing validity of the Certificates of Fitness issued for each of the installations comprising the SOEP. The Certificates of Fitness attest to the regulatory compliance of these installations, that they are fit for the purpose for which they are to be used, and can be operated safely without polluting the environment. A revised SoW was submitted to the Board's Chief Safety Officer in early 2007, and was approved after a number of changes.

Further to the above, a comprehensive audit of Lloyd's Register (LR), as certifying authority for the SOEP, was carried out by Board staff to verify:

- Its capability to carry out its commitments with respect to the approved SoW for the ongoing validity of the certificate of fitness for the SOEP facilities; and that
- Its systems, processes and procedures to implement the SoW are adequate and effective at meeting the intent of the SoW.

The audit concluded that LR's activities comply with the approved SoW, subject to the implementation of certain corrective action plans generated in response to the findings of the audit.

Audits and inspections carried out on the SOEP offshore installations during the year included one focused on occupational health and safety. The Board was assisted by a safety officer from the Nova Scotia Department of Environment and Labour pursuant to

the MOU that is in place with this government department. Additionally, an audit/inspection of safe lifting practices was carried out at the Thebaud complex. The Board found a number of areas for improvement for which corrective actions have since been identified by the operator.

Other areas of regulatory focus during 2007 included the ongoing review of SOEP asset integrity management programs in place for the offshore production facilities, including the subsea flowlines and the 26" natural gas export pipeline.

3.1.4 Deep Panuke Gas Development Project

EnCana carried out a geophysical survey in January 2008 using the M/V Anticosti. The purpose of the survey was to collect additional seabed profile data along sections of the proposed pipeline route and at the wellhead and Production Field Centre locations. Such data is required to complete the detailed engineering for the project.

Condition 18 of the Board's Development Plan Decision Report required the Proponent (EnCana) to submit a Concept Safety Analysis (CSA) to the Chief Safety Officer that meets the requirements set out in the regulations. The CSA was to be submitted a minimum of 30 days prior to contract award for its mobile offshore production unit (referred to as the Production Field Centre). Condition 18 also required that the CSA be planned and conducted with due consideration for safety and occupational health concerns associated with the processing, handling and disposal of highly concentrated acid gas to and from the Production Field Centre.

Documentation submitted in response to this condition was reviewed by Board staff. The Chief Safety Officer subsequently determined that Condition 18 of the Decision Report had been met. This determination was subject to a requirement that the revised CSA documentation for the Production Field Centre be submitted within 90 days of contract award for this facility. Board staff provided EnCana with comments specific to the Production Field Centre that were generated during its review of the CSA documents, requesting that such comments be taken into account when preparing the revised CSA. In general, it is expected that the CSA will require updating from time to time as detailed engineering for the project is carried out.

Condition 17 of the Board's Development Plan Decision Report requires the Proponent (EnCana) to submit a Project Safety Plan (PSP), acceptable to the Board's Chief Safety Officer, within 90 days of Project Sanction. The PSP must, as a minimum, identify the safety studies to be undertaken to identify hazards and to assess risks to the installation, and the schedule for completing the same. A generally acceptable Safety Plan was submitted to the Board's Chief Safety Officer within the stipulated time frame. The PSP will also be subject to ongoing revision and updating as the project is carried out.

3.1.5 International Regulators' Forum

The annual meeting of the International Regulators' Forum (IRF) was hosted by the United States (US), in conjunction with the second International Regulators' Offshore Safety Conference held in Miami, Florida in December 2007.

The IRF enables regulators from eight countries with offshore oil and gas activities (US, United Kingdom, Norway, Netherlands, Canada, Brazil, Australia and New Zealand) to exchange information on such topics as:

- Offshore health and safety trends
- Industry health and safety performance
- Lessons from incidents
- Industry best practices
- Regulatory practice
- Effectiveness of regulatory activities

During the International Regulators' Offshore Safety Conference, regulators and industry representatives discussed asset integrity management practices critical to maintaining safe operations on offshore oil and gas facilities worldwide. Leading government and industry experts from 20 nations shared their best practices for safe exploration and production. Discussions focused on offshore oil and gas structures and facilities, aging infrastructures, maintenance, verification, workforce competency and safety management systems. The Board's Chief Safety Officer gave a presentation on significant asset integrity issues from a regulator's perspective.

IRF working groups continue to focus on two main areas, offshore lifting practices and performance measurement. The objective of the lifting practices working group is to achieve a sustained reduction in lifting incidents on a global basis and to raise workforce awareness of the risks and control measures associated with lifting. Board staff provided a presentation on this initiative during the 12th North Sea Offshore Cranes & Lifting Conference held in Stavanger, Norway in May of 2007. The performance measurement working group continues to collect and analyze incident and accident data provided by IRF member countries. The group intends to publish its findings once it is satisfied with data quality.

3.1.6 Offshore Security

In accordance with the Government of Canada's National Critical Infrastructure Assurance Program initiative, the Board continues to promote measures aimed at protecting the security of facilities involved in oil and gas exploration and production in the Nova Scotia Offshore Area. Board representatives attend semi-annual classified briefings held in Ottawa by the Energy Infrastructure Protection Division (EIPD) of Natural Resources Canada (NRCan), in collaboration with the Canadian Security Intelligence Service. These briefings are attended by energy sector stakeholder personnel with appropriate security clearance, and are provided as part of an EIPD effort to facilitate the exchange of classified intelligence between the public and private sectors. The EIPD also holds semi-annual meetings with senior representatives of NRCan's Portfolio Agencies, including the Canada-Nova Scotia Offshore Petroleum Board, Canada-Newfoundland and Labrador Offshore Petroleum Board (C-NLOPB), Canadian Nuclear Safety Commission, National Energy Board, and Atomic Energy of Canada Ltd. These meetings ensure that they are kept up-to-date on the Government of Canada's policies and initiatives regarding security of critical energy infrastructure and to share information on issues of mutual interest and best practices.

During 2007, Board staff attended the NRCan Energy Infrastructure Emergency Management Workshop, held at the Canadian Emergency Management College in Ottawa. This workshop addressed the following: concepts and principles of emergency management, National Security Policy, Federal Emergency Response Plan, Emergency Management Act, and lessons learned and best practices from selected emergencies.

Additionally, Board staff and industry representatives met with Public Safety Canada to address the need for an information sharing protocol. This protocol would be followed at times when missile tests and rocket launches by Canadian or foreign military could result in splashdown of hardware near offshore oil and gas installations. Sharing of information regarding splashdown zones is required by operators and regulators alike so that risk assessments can be performed and acted upon to ensure the safety of offshore workers and facilities.

3.2 Environment

The Board's mandate includes protection of offshore environment during all phases of petroleum activity from geophysical exploration to project abandonment.

The Board is a Federal Authority under the CEA Act and follows the environmental assessment process outlined in the CEA Act. As well, all environmental assessments undertaken by the Board are required to follow the Species at Risk Act to ensure the protection of listed species that may be affected by offshore activities. Memoranda of Understanding remain in place with both Fisheries and Oceans Canada and Environment Canada (EC) to provide effective regulation of environmental matters.

3.2.1 Environmental Assessments

Since July 2003, all offshore oil and gas activities have been subject to environmental assessments under the CEA Act. This includes both exploration and development programs.

Environmental assessments conducted in recent years are described in the table below.

Figure 3 - Environmental Assessments from 2004 to 2008

Activity	2004-05	2005-06	2006-07	2007-08
Development Projects	-	-	1	-
Seismic Exploration	2	1 (validation)	1	-
Other Geophysical/Geotechnical	3	1	-	-
Drilling Programs	1	1 (validation)	1	-
Strategic Environmental Assessments	-	1	-	-
Other	1	-	-	-
Total	7	4	3	0

Note: Entry is made in table during the year an environmental assessment is initiated.

Although no new environmental assessments were initiated during the past year, the environmental assessment review process did continue for two projects initiated by Canadian Superior Energy Inc. in fiscal year 2006-07. These two environmental assessments address potential seismic activity and exploratory drilling near the Gully, in Exploration Licenses 2415, 2416 and 2409 (seismic) and 2415 and 2416 (exploratory drilling). Both of these environmental assessments are scheduled to be completed in 2008. The environmental assessment (Comprehensive Study) for EnCana's Deep Panuke offshore gas development project, initiated in fiscal year 2006-07, was completed in June 2007.

Consideration of public comments is an important part of the environmental assessment review process. The level of public participation varies with each project. An Internet-based Public Registry, established by the CEAA, tracks all environmental assessments conducted under the CEA Act. All environmental assessments undertaken by the Board pursuant to the CEA Act are listed on this registry. The Board also posts project descriptions, environmental assessments, and related correspondence on its own Public Registry, accessible on the Board's website. From this website the public can follow a proposed activity from the project description to the environmental assessment and can review documents. The public may also submit comments to the Board during the environmental assessment process.

3.2.2 Sable Offshore Energy Project

Environmental monitoring conducted by ExxonMobil of the SOEP consists of two components: compliance monitoring and environmental effects monitoring (EEM). Compliance monitoring, such as monitoring of discharge levels, is in place to ensure compliance with the regulations, guidelines, conditions and all applicable laws. The results of onboard compliance monitoring are submitted to the Board for review.

ExxonMobil conducted an EEM program for SOEP in 2007, which includes monitoring the effects of petroleum activities on specific components of the surrounding environment. The 2007 EEM program was similar to the 2006 program and focused on site related effects on fish, invertebrates, seabirds, air quality, as well as produced water analysis. The results of the EEM program are submitted to the CNSOPB for review in the first quarter of each year. An EEM review process framework was developed jointly in 2005 between the CNSOPB, CEAA, Department of Fisheries and Oceans (DFO) and EC. The purpose of this framework is to strengthen cooperation and coordination between government, regulators and industry when designing, implementing and reviewing EEM programs with respect to the oil and gas sector offshore Nova Scotia.

There was one environmental audit conducted by the Board of the SOEP in fiscal year 2007-08. The purpose of this audit was to determine compliance with environmental incident reporting/follow-up requirements. The results of the audit confirmed that ExxonMobil was in compliance with such requirements, although one area for improvement was noted. This was with respect to the provision of spill notifications to government agencies that are required in addition to the reporting of such to the Board.

3.2.3 Fisheries Advisory Committee

The Board's Fisheries Advisory Committee (FAC) includes representatives from various fishing groups, DFO, the Nova Scotia Department of Agriculture and Fisheries, Natural Resources Canada, and the Nova Scotia Department of Energy. FAC members provide

advice and suggestions to the Board for consideration in Call for Bid processes, environmental assessments, work authorization applications, and regulations and guidelines. FAC members are provided with information about petroleum activities on a regular basis. Formal FAC meetings are held at periodic intervals to inform and engage members in a discussion of upcoming projects and other petroleum related activities. Committee members are provided with notice of all environmental assessments and are invited to submit comments to the Board for consideration during the review process.

3.2.4 Eastern Scotian Shelf Integrated Management

The Board continues to participate in the Eastern Scotian Shelf Integrated Management (ESSIM) initiative. ESSIM is led by DFO and takes a collaborative, integrated planning and management approach to addressing broad scale ocean use and interests of the Eastern Scotian Shelf. In 2007, the CNSOPB continued to collaborate with DFO on the following ESSIM initiatives: the Stakeholder Advisory Council, the Federal-Provincial ESSIM Working Group, the Regional Committee on Ocean Management, and the ESSIM Forum Planning Committee.

An Eastern Scotian Shelf Integrated Ocean Management Plan (2006-11) was finalized in the third quarter of 2006. This is a multi-year, strategic-level plan to provide long-term direction and commitment for integrated, ecosystem-based and adaptive management of all marine activities in or affecting the planning areas. This plan was presented to the Minister of Fisheries and Oceans for recognition under the Oceans Act in 2007 and awaits his final approval.

3.2.5 Environmental Studies Research Fund

The Board is a member of the Environmental Studies Research Fund (ESRF) management board, which includes representatives from government, regulators, industry, and the public. Research funding comes from levies paid by oil and gas companies who are operating facilities or wish to conduct exploration and development programs. The purpose of the ESRF is to finance environmental and social studies pertaining to the manner in which, and to the terms and conditions under which, petroleum exploration, development, and production activities on frontier and offshore lands should be conducted. It is designed to assist in the decision making process related to oil and gas exploration and development on Canada's frontier and offshore lands. The 12 member management board sets priorities, budgets and development protocols. This year's research priorities included evaluation of seismic impacts on invertebrates and fish,

seabird monitoring and effects from sheens, physical environment studies, and exploration and production waste discharge research.

3.2.6 Spills & Releases

All spills and releases are required to be reported to the Board. The potential environmental impacts of each spill and accidental release are reviewed and/or investigated by the Board. The Board also monitors spill occurrences to determine if any trends are occurring. Environmental concerns include the potential impact of petroleum products on seabirds as well as the impact of spills on the marine habitat.

There were five spills and releases reported during the 2007-08 fiscal year. The table below categorizes these spills and releases.

Figure 4 - Spills and Releases 2007 to 2008

Material	Less than 1L	1-10L	11-150L	Greater than 150L
Condensate	-	-	-	-
Synthetic Based Muds	-	-	-	-
Light Oil	1	2	1	-
Chemicals	-	-	-	1
Synthetic Based Oil	-	-	-	-
Total	1	2	1	1

The investigation into a diesel spill that occurred from the SOEP in August of 2004 resulted in the Board laying charges in 2006 for offences pursuant to the Accord Acts. After the Board laid charges, the matter was referred to the federal Department of Justice (Federal Prosecution Service). In December 2007, ExxonMobil pled guilty to one charge in relation to this spill, and was assessed a fine of $10,000 by the Court. In addition, ExxonMobil was ordered to pay $50,000 into the Environmental Damages Fund administered by EC. The Board has issued a report of its findings into this spill, a copy of which can be found on the Board's website.

During 2007, the Board concluded its investigation into a Mono-ethylene Glycol spill that occurred from the SOEP during 2005. The Board's findings in this regard can be found on its website.

3.3 Guideline/Best Practices Development

The Board continues to develop, or participate in the development of, guidance documents addressing certain health, safety and environmental matters. In 2007, this included:

- **Offshore Physical Environmental Guidelines**

A revision to the *Offshore Physical Environmental Guidelines* originally developed by the CNSOPB, the C-NLOPB and the NEB in 1994, has been completed by staff of the three Boards. This effort was led by the CNSOPB using a consultative process with representation from industry, governments, and consultants. A revision was deemed necessary in recognition of changing practices and technologies. Issuance is anticipated during 2008.

- **Offshore Chemical Selection Guidelines**

The review and revision to the *Guidelines Respecting the Selection of Chemicals Intended to be Used in Conjunction with Offshore Drilling and Production Activities on Frontier Lands* commenced in 2007. These Guidelines are intended to provide a consistent framework for chemical selection as part of the environmentally responsible management of chemicals used in offshore drilling and production activities under the jurisdiction of the NEB, C-NLOPB and CNSOPB. The review of these Guidelines is being conducted jointly by the three regulatory Boards with the assistance of a government/industry/public working group. The CNSOPB is leading the review.

- **Canadian East-Coast Offshore Petroleum Safe Lifting Practices Guidelines**

The first edition of the *Canadian East Coast Offshore Petroleum Industry Safe Lifting Practices Respecting: Offshore Pedestal Cranes, Offshore Containers, Loose Gear, Other Lifting Devices, and Operational Best Practices* were issued by the Canadian Association of Petroleum Producers (CAPP). This document was developed by a working group with representatives of industry, the CNSOPB, the C-NLOPB and Certifying Authorities to outline industry "best practices" for operators responsible for the management, planning and execution of offshore lifting operations and to assist in the interpretation of applicable legislation and standards. It was the CNSOPB that first proposed the development of such practices in 2003.

- **Canadian East-Coast Offshore Petroleum Industry Marine Escape, Evacuation and Rescue Guide**

A draft of this Guide continues to be developed by a committee of industry and regulatory personnel sponsored by CAPP. It is designed to aid operators in their duties respecting marine escape, evacuation and rescue by stating the broad goals of Escape, Evacuation, and Rescue emergency response. Considerable stakeholder engagement has taken place, and the committee is looking to finalize and issue this Guide during 2008.

- **Guidelines Respecting the Drilling and Production Regulations**

In collaboration with the NEB and the C-NLOPB, the CNSOPB has commenced drafting guidelines for the implementation of new Drilling and Production Regulations being developed by the governments as part of the Frontier and Offshore Regulatory Renewal Initiative (see section 3.4 for additional detail). It is planned that these guidelines will be issued by the three Boards at the time the new regulation is promulgated for use.

3.4 Frontier and Offshore Regulatory Renewal Initiative (FORRI)

FORRI is an initiative led by the federal government and its provincial and territorial counterparts to modernize the regulatory environment for Canada's frontier and offshore oil and gas sector. Working in partnership with governments, Board staff continue to play a leadership role. Governments are relying heavily on the Board's technical expertise in drafting new regulations that will be goal-oriented in nature, replacing the current prescriptive suite of regulations.

During the past year, considerable effort has been made in the drafting of new goal-oriented Drilling and Production Regulations. These new regulations will be ready to move forward through the government approval processes during 2008.

4.0 Resources & Rights

The Board's mandate includes petroleum rights and resources management as well as data collection and distribution. The rights issuance, or licensing policy, is governed by Part II of the Accord Acts, which is based on the Canadian Petroleum Resources Act model. Administration of the licensing process is reviewed annually by the federal and provincial governments to ensure it supports, and is consistent with, the Board's Strategic Plan.

4.1 Resources

4.1.1 Production/Reserve Estimate

Production from the Sable Offshore Energy Project averaged a rate of 12.9 e6m3/day (million cubic metres per day) or 457 MMcf/day (million cubic feet per day), for the past fiscal year, compared to 10.3 e6m3/day or 362 MMcf/day for the previous year. Total production for the fiscal year was 4.7 e9m3 (billion cubic metres) or 167 Bcf (billion cubic feet), compared to 3.7 e9m3 or 132 Bcf previously. Total production to date for the project is 37.1 e9m3 or 1311 Bcf. Field production splits to date have been 29%, 28.4%, 16%, 15.4% and 11.2% for Thebaud, Venture, North Triumph, Alma and South Venture respectively.

The expected reserves for the project have not been revised from the previous year. The original reserve gas in place estimates for the six Sable project fields, as documented in the approved Development Plan (1997), is 129.3 e9m3 (4.6 Tcf - trillion cubic feet), with a P90 to P10 range of 57.1 to 217 e9m3 (2.9 to 7.7 Tcf). The lower end P90 value is estimated to have a 90% chance of being exceeded, and the P10 value, a 10% chance. The expected total project recoveries of gas were presented as 84.3 e9m3 (3 Tcf), with a P90 to P10 range of 32.3 to 145.1 e9m3 (1.1 to 5.1 Tcf). The most recent public declaration of project reserves by a project partner was made by Shell in March 2007. This was for 41.5 e9m3 (1.5 Tcf) of expected recoverable gas. Each of the partners will have its own estimate of project volumes and it is expected that estimates may vary over the life of a project as more information becomes available.

4.1.2 Project Monitoring

The Board monitors exploration and development activity to ensure optimum conservation of the resource and compliance with the regulations. This is accomplished through monitoring reservoir production and performance, regular communication with the operator, and reviewing all activity authorization applications from a resource conservation perspective. When appropriate, technical studies are undertaken to independently validate proposals and activities.

"Administration of the licensing process is reviewed annually by the federal and provincial governments to ensure it supports, and is consistent with, the Board's Strategic Plan."

4.1.3 Exploration Activity

There were no exploration or development wells drilled during the reporting period.

Each application to drill a well includes, among other requirements, a drilling plan that is reviewed by the Resources and Rights staff. Board staff undertake technical evaluations of all geological, geophysical, petrophysical and reservoir engineering aspects. The evaluation also ensures consistency of the drilling plan with regulations. After the well is spudded (i.e. initially commenced), its progress is continually monitored through daily reports and updates from the operator to ensure drilling is consistent with the approved program. All modifications are reviewed and approved if necessary. After the well is completed, the well results, data (i.e. well logs, cores, cuttings, fluids, etc.) and final reports are reviewed, analyzed and archived by staff.

4.1.4 Geophysical Program

In January 2008, Fugro Jacques GeoSurveys Inc. conducted a Geophysical Survey for the EnCana Deep Panuke pipeline route, wellhead and Production Field Centre site survey.

Each application for authorization to conduct a geophysical program is reviewed by Resources and Rights staff to ensure that there is no unnecessary duplication of data acquisition and that the program is in compliance with geophysical regulations and Board guidelines. After the program has commenced, progress is monitored weekly through reports and updates from the operator to ensure progress is consistent with the approved program. Any modifications are reviewed and approved if necessary. Upon completion, the program's data and final reports are reviewed, analyzed and archived by staff.

4.1.5 Resource Assessment

An important responsibility of the Board is the assessment of hydrocarbons in the offshore sedimentary basins. These assessments are required to determine the volume of oil and gas discovered to date (reserves), as well as the undiscovered potential (resources). This knowledge is incorporated into decisions made pertaining to activities and the issuance of petroleum rights.

In October 2007, the Board released a comprehensive geological and geophysical reassessment of its original 2002 Deep Water Scotian Slope study. This assessment, which is available on the Board's website, reconfirmed the presence of a deep water petroleum system with significant hydrocarbon potential offshore Nova Scotia. It

incorporated the results of the six recent deep water wells drilled during the 2002-05 period following the 2002 report, and assessed their impact on the original report. The Deep Water is an area where the Board will continue to focus its technical expertise in the coming year. The Board is also continuing its internal resource assessment of the Sable Subbasin – the approximately 11,000 square kilometer area surrounding Sable Island. An internal review of the seven recent shallow water wells drilled during the 2000-03 period on the Scotian Shelf/Sable Subbasin will be incorporated into a public version of the study being prepared for release later in 2008.

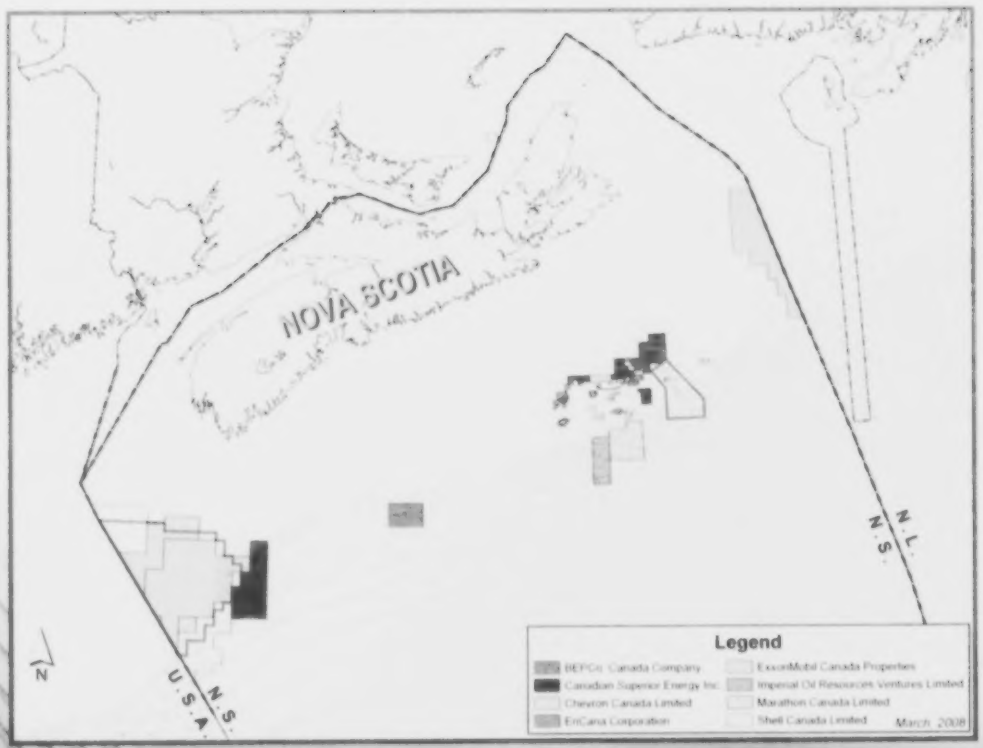
4.2 Rights Management

Public Registry of Instruments & Interests

The Board maintains a public registry of offshore interests and instruments, as required in the Accord Acts. This is the official record of rights holders and any transfer of rights or change of ownership must be registered. Public information from the Registry is placed on the Board's website for ease of access. In fiscal year 2007-08 the Board began developing an online searchable Rights Registry database to better catalogue and disseminate licensing information for public use.

4.2.1 Interests

This map shows the active licenses offshore Nova Scotia as of March 31, 2008.



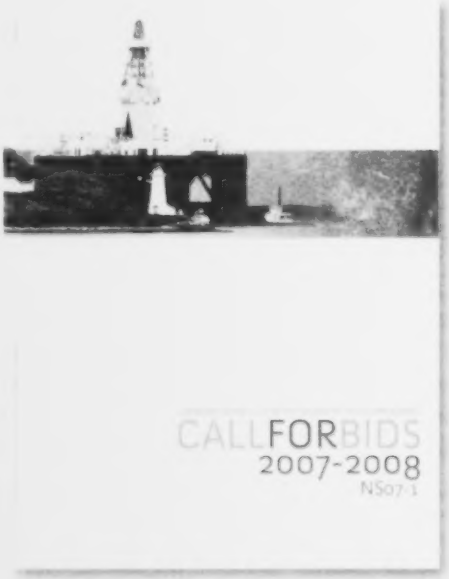
4.2.2 Call for Bids

At any time during the year, industry may nominate offshore land parcels for potential exploration. Nominated parcels are reviewed on March 31st and September 30th to determine whether any will be included in a future Call for Bids. There are presently two areas where nominations will not be accepted: the Georges Bank Prohibition Zone and the Sable Gully Marine Protected Area.

The Board embarked on a new strategic direction this fiscal year, which includes a focus on optimizing resource management. The 2007-08 Call for Bids NS07-1 is consistent with this new approach and draws on best practices from other jurisdictions in Canada and worldwide. The Call incorporates new terms and conditions for exploration licenses with two land parcels that have been identified as prospective by Board technical staff. The Board intends to issue regular Calls based on this new model.

On December 11, 2007 the Board issued Call for Bids NS07-1 in a new format that included a CD-ROM/website, which outlines the following:

- Licensing information including the new terms and conditions for exploration licenses;
- Detailed geoscience data and exploration information; and
- Regulatory information about offshore Nova Scotia.



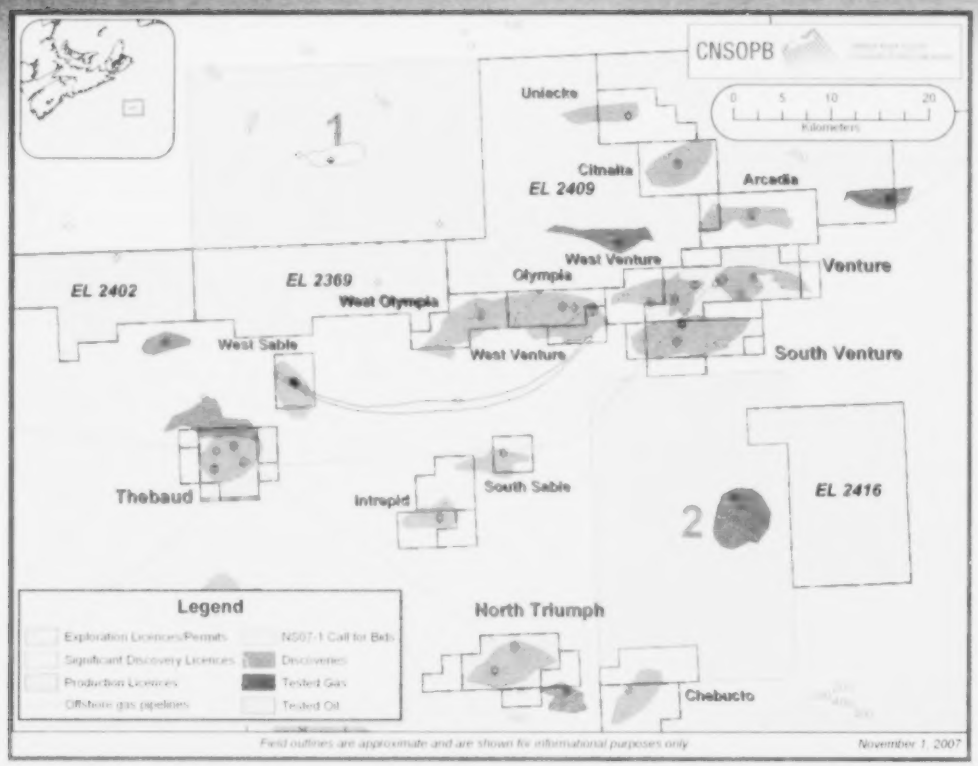
The Call consists of two shallow water parcels located within the Sable Subbasin. Infrastructure in this area includes the Sable Offshore Energy Project and a subsea gas pipeline to landfall at Goldboro, NS. The Deep Panuke offshore gas project, which includes a second pipeline to landfall, is under development in the area. Some highlights:

Parcel 1

Light oil/condensate was discovered at the Penobscot field in early Cretaceous sandstones. Recoverable reserves are estimated at 26.4 - 80.3 MMBbls (P90 - P10), original oil in place estimates are between 77.0 - 225 MMBbls (P90 - P10). Additional deep exploration potential exists in the Jurassic carbonate bank edge beneath the existing Penobscot discovery.

Parcel 2

Gas was discovered at the Eagle field in a late Cretaceous chalk reservoir. Recoverable reserves are estimated between 283 Bcf - 720 Bcf (P90 - P10), original gas in place estimates are between 892 Bcf - 1,670 Bcf (P90 - P10). Several additional exploration prospects have been identified on the parcel.



Call for Bids NS07-1 will remain open for over six months, closing on June 30, 2008.

4.2.3 Exploration Licenses

At the end of this fiscal year, there were 10 active exploration licenses offshore Nova Scotia with a total original work commitment of approximately $339,000,000.

The term of an Exploration License (EL) is nine years, consisting of two consecutive periods referred to as Period 1 and Period 2. Period 1 is five years, commencing on the effective date of the license. This period will be extended by one year if a well is commenced or a Drilling Deposit is posted before the end of the fifth year. If a validation well is drilled, Period 2 immediately follows Period 1 and consists of the balance of the nine year term of the exploration license.

Current exploration license terms require the interest holder of an exploration license to post security for 25% of the work expenditure bid on the license at the beginning of the term. This Work Deposit is refundable through approved allowable expenditures as the interest holder spends money on exploration of the license. Allowable expenditures are described in each exploration license.

The exploration licenses awarded from Call for Bids NS07-1 will allow the interest holder to defer posting the security of 25% of the work expenditure bid on the license until the end of the third year. Allowable expenditures, as described in the two licenses from Call for Bids NS07-1, will be at cost and will allow for a 5% research and development

component. To encourage early exploration, approved allowable expenditures in the first three years of the license will be credited at a rate of 150%.

For exploration licenses awarded from Call for Bids NS07-1, an additional refundable deposit, known as the License Deposit, will be required at the beginning of the term in the amount of $50,000. These licenses will also require that a work plan is submitted at the beginning of the term and updated annually.

The Extension Fee Policy was approved by the Board this fiscal year. It allows interest holders faced with Period 1 expiration dates to extend the term of the license by one year by posting an Extension Fee in the amount of $2.50 per hectare. The interest holder must also demonstrate to the Board that it has been diligent in taking the necessary steps toward drilling a well. Canadian Superior Energy Inc. (EL 2406) and BEPCo. Canada Company (EL 2407) both received one year extensions under this policy, giving each company a new Period 1 expiry of December 31, 2008. Total extension fees paid and deposited in the account of the Receiver General for Canada was $720,000.

By the end of 2007, 13 exploration licenses either expired or were surrendered. This was a record year for forfeitures, with total forfeitures paid totalling $112,716,096*. Figure 5 outlines the licenses that expired or were surrendered.

Figure 5 - Forfeitures

EL #	Call for Bids	Work Expenditure	Work Deposit	Validated for Period 2	Drilling Deposit	Forfeiture*
2360	NS97-2	$8,291,888	$2,072,972	Musquodoboit E-23	N/A	$0
2361	NS97-2	$9,563,150	$2,390,788	Cree I-34	Returned	$0
2364	NS97-3	$2,165,000	$541,250	No	N/A	$315,312
2365	NS97-3	$2,165,000	$541,250	No	N/A	$414,595
2368	NS98-2	$1,052,520	$263,130	No	N/A	$0
2376	NS98-2	$71,623,566	$17,905,892	Southampton A-25	N/A	$4,407,788
2380	NS98-2	$1,239,895	$309,974	Weymouth A-45	N/A	$0
2404	NS00-1	$13,120,000	$2,345,200	No	$250,000	$2,359,228
2410	NS01-1	$176,694,282	$44,173,571	No	$250,000	$41,892,725
2411	NS01-1	$193,621,590	$48,405,398	No	$250,000	$45,930,073
2412	NS01-1	$4,283,650	$1,070,913	No	$250,000	$1,320,913
2413	NS01-1	$2,713,650	$543,413	No	$250,000	$928,413
2414	NS01-1	$75,856,789	$18,964,197	No	$250,000	$15,147,049

*Includes forfeiture amount received over the lifetime of the EL plus drilling deposit posted, if any.

In accordance with the terms and conditions of the current Exploration Licenses, rentals are to be paid annually, in advance, at the rate of $2.50 per hectare for each year of Period 2. The rentals may be refunded upon application to the extent of approved allowable expenditures incurred during Period 2 and failure to pay rentals will result in cancellation of the Exploration License. There are six ELs currently in Period 2. EL 2377 does not have to pay rentals because it has approved allowable expenditures greater than the required rentals for Period 2. In the past fiscal year, the total rentals paid and deposited in the account of the Receiver General for Canada was $528,688.

Active Exploration Licenses at the end of the fiscal year are shown in the following table. These encompass a total area of 1,047,741 hectares.

Figure 6 - Exploration Licenses

4.2.4 Significant Discovery Licenses

EL #	Effective Date	Representative	Work Expenditure
2369	1-Jul-99	ExxonMobil Canada Properties	$ 70,056,110
2377	1-Jul-99	Marathon Canada Petroleum ULC	$ 93,256,756
2378	1-Jul-99	Imperial Oil Resources Ventures Limited	$ 71,134,815
2387	1-Jan-00	EnCana Corporation	$ 4,856,746
2402	1-Jan-01	Canadian Superior Energy Inc.	$ 22,575,000
2406	1-Jan-02	Canadian Superior Energy Inc.	$ 41,250,000
2407	1-Jan-02	BEPCo. Canada Company	$ 6,742,000
2409	1-Jan-02	Canadian Superior Energy Inc.	$ 15,510,000
2415	1-Jan-04	Canadian Superior Energy Inc.	$ 12,857,000
2416	1-Jan-04	Canadian Superior Energy Inc.	$ 1,250,000
Total			$ 339,488,428

A Significant Discovery License (SDL) is an intermediate interest designed to maintain an explorer's rights during the period between the first discovery and eventual production. The term of such a license continues so long as the underlying Significant Discovery Area remains valid.

The Board awarded two SDLs this year, SDL 2701 and SDL 2702, subsequent to the Declaration of Significant Discovery Panuke PP-3C. The total area of these two licenses is 4,467 hectares.

There are presently 35 SDLs offshore Nova Scotia, covering an area of 87,495 hectares. The Board has initiated a technical assessment to update the estimate of recoverable reserves associated with these significant discoveries.

4.2.5 Production Licenses

A Production License (PL) is issued for any portion of the offshore area showing a commercial discovery. Such licenses have a term of 25 years, but may be extended if commercial production is continuing or is likely to recommence. There are eight Production Licenses offshore Nova Scotia with a total area of 33,858 hectares:

- PL 2901 and 2902, were issued for the Cohasset-Panuke offshore oil project. Production from Cohasset-Panuke ended in 1999.
- PL 2903, 2904, 2905, 2906, 2907, and 2908 are registered to ExxonMobil Canada Ltd. as the interest representative for the Sable Offshore Energy Project.

4.3 Geoscience Research Centre

On October 2, 2007, the Board officially opened its newly expanded Geoscience Research Centre (GRC) and Data Management Centre located in Dartmouth, Nova Scotia. This expansion created additional storage space for subsurface samples, well and geophysical data. The size of the GRC's core and data viewing area has doubled to improve access for facility users. The facility can now accommodate a greater number of users and includes four separate viewing areas. Access to the GRC and its technical staff is available to the public from Monday to Friday, 8:00 a.m. to 4:00 p.m.

Data collection and curation are essential to the Board's mandate. The GRC fulfills this responsibility as a public facility, which provides geological and geophysical information and services for the Nova Scotia Offshore Area. The facility archives all final well history, geological, geophysical and wellsite survey reports. It is also used to archive all subsurface samples, including cores, cuttings, fluids and related materials obtained from petroleum exploration and development wells drilled in the Nova Scotia Offshore Area.

Most well data is confidential for a period of time specified in the Accord Acts: two years following well termination for exploration wells, 90 days for delineation wells, and 60 days for development wells. Once the confidentiality period has expired, information may be disclosed to the public. Industry, drilling or service companies, and scientific, government, and academic organizations, are the primary consumers of these reports and samples.

The following is a profile of GRC users in fiscal year 2007-08:

- Industry, which includes local, national and international companies: 44%
- Government or academic organizations: 44%
- Drilling or service companies: 12%

Data from the following wells became available for public disclosure during the reporting period:

- Dominion J-14
- Dominion J-14A

4.4 Data Management Centre

The Board's digital Data Management Centre (DMC) is the first data management centre in North America to offer free of charge publicly accessible digital offshore petroleum data via a web-based interface. The DMC provides for the submission, loading, management and distribution of entitled petroleum data. Initially, the DMC will manage and distribute the following digital petroleum data: well data (i.e. logs and reports), seismic image files (i.e. TIFF, PDF), Geographic Information Systems data (i.e. licenses, wells, bathymetry etc.), and production data. In the future the DMC could be expanded to include operational, safety, environmental, fisheries data, etc. The DMC is located in a dedicated computer room in the Board's newly expanded Geoscience Research Centre in Dartmouth, Nova Scotia.

The DMC provides global access to quality data, significantly improving efficiency in obtaining and analyzing petroleum data, managing entitlements and reducing the cost of regulatory compliance for industry. Additional benefits of the DMC include prevention of data loss, reduction in data storage costs and facilitating scientific research by the regulatory Boards, industry, governments, universities, etc. The DMC is also intended to act as a "pilot project" in the establishment of a National Data Centre for digital petroleum data, which eventually may link several regulatory Boards and government departments across Canada.

The DMC was officially opened on October 2, 2007. Schlumberger Information Solutions (SIS) designed, installed and configured the DMC hardware, software, and user workflows. Going forward SIS will provide ongoing support and maintenance of the DMC.

The DMC complements the Call for Bids NS07-1 package by providing interested parties with comprehensive petroleum data on the Call parcels, which includes SEGY data for the 1991 Penobscot 3D survey (original processing). This 3D survey was reprocessed in 2007 and this SEGY data is also available from the DMC. Additional data related to the NS07-1 Call includes the Eagle/Chebucto 3D survey (seismic images and reports) and the four wells drilled on the two Call parcels: Penobscot L-30, Penobscot B-41, Eagle D-21, and South Desbarres O-76. The above seismic (lines and reports) and well data (logs and reports) are available in digital format from the DMC.

The loading and verification of all offshore data, dating back to 1960, is ongoing. The Board will prioritize the loading of data in response to user requests, and update the DMC website on a regular basis so users can determine when new data is available. As of March 2008, complete data sets for several seismic programs and 35 wells have been loaded into the DMC.

4.5 Other Geoscience Initiatives

The Board is a strong supporter and facilitator of geoscience and related initiatives devoted to improving knowledge of the region's petroleum geology, resource potential and hydrocarbon prospectivity. In the past year, Board technical staff has helped expand this knowledge base to a global audience by presenting technical papers at conferences in the United States, the United Kingdom, Greece, South Africa, and Morocco.

The Board is a major sponsor of the Central Atlantic Conjugate Margins Conference that will be held in Halifax in August 2008. Participation is expected from international companies, governments and academic researchers devoted to discussing and solving the geological problems directly affecting petroleum prospectivity in basins of the Central Atlantic realm. In addition to funding support, Board technical staff are involved in the conference organization, writing technical papers, and providing the use of its Geoscience Research Centre. It is also an active participant, along with representatives of local universities and the Geological Survey of Canada, in the Nova Scotia Department of Energy's important "Geoscience Gap Analysis" that will identify geoscience issues facing the offshore region and create a plan to work towards their solution.

5.0 Industrial Benefits

Under the Accord legislation, a Canada-Nova Scotia Benefits Plan must be submitted and approved before any work authorization is granted. The Benefits Plan must commit to the fundamental principles of full and fair opportunity for Nova Scotians and Canadians to participate in the supply of goods and services. The Benefits Plan must also commit to first consideration for training and employment for residents of Nova Scotia. First consideration is also given to services provided within the province and to goods manufactured in the province on a competitive basis.

Other considerations that must be in a Benefits Plan include: establishing an office in Nova Scotia with the appropriate level of decision making, provisions for disadvantaged individuals or groups and provisions for education and training, and research and development.

The Board currently monitors Benefits Plans for the Sable Offshore Energy Project (SOEP) and the Deep Panuke Project. Other active Benefits Plans include BEPCo. Canada Company and Canadian Superior Energy Inc. for their respective Exploration Licenses.

5.1 Benefits Review Committee

To satisfy the Board's duty to consult with both governments on the extent to which a Benefits Plan meets its obligations, the Board chairs a Benefits Review Committee. Membership consists of a representative from the Nova Scotia Department of Energy and Natural Resources Canada. Industry Canada and Atlantic Canada Opportunities Agency also participates at the request of the two governments. Since its inception in 1995, the Benefits Review Committee has provided significant input into the benefits review process.

This year, the Benefits Review Committee drafted a Terms of Reference to provide a formal framework for the Benefits consultation process. In addition, a MOU was also developed to lay out the process for the consultation and monitoring of Condition 4 of the Deep Panuke Project: Education and Training/Research and Development. It is expected that the MOU will be signed by the Chair of the Board and the respective Ministers early in the second quarter of 2008.

"The Benefits Plan must also commit to first consideration for training and employment for residents of Nova Scotia."

5.2 Sable Offshore Energy Project

As part of satisfying the Board's decision report for the Sable Offshore Energy Project, ExxonMobil files an annual benefits report with the Board. According to the report filed with the Board for the period ending December 31, 2007, the Sable Offshore Energy Project has spent $1,970,300,000 in Nova Scotia to date; $901,600,000 has been spent in the rest of Canada with a total Canadian cumulative spend of $2,871,900,000.

Nova Scotia person hours, cumulative to December 31, 2007, amounted to 17.7 million, while the rest of Canada accounted for 3.10 million person hours.

As part of the regular monitoring of these reports, the Board conducted an expanded audit of the Nova Scotia content and whether full and fair opportunity on a competitive basis was provided to the Nova Scotia supply community in relation to the Sable Offshore Energy Project's bidding practices. It is expected that the audit will be completed early in the second quarter of 2008.

ExxonMobil has filed a new five year Research and Development plan to cover the period 2008-12. The Plan is currently under review by the Board.

5.3 Deep Panuke Offshore Gas Development

In developing the Decision Report for the Deep Panuke project, the Board, in consultation with both governments, changed the process by which procurement is monitored. Rather than reviewing all contracts under a certain dollar amount, EnCana is required to provide the Board with a list of all contracts and sub-contracts, from which the Board will select specific contracts for monitoring.

Another significant change was the decision regarding Education and Training, and Research and Development. The Board modeled the expenditure requirement on the methodology outlined in the Offshore Strategic Energy Agreement between the Province of Nova Scotia and EnCana. Consultation with EnCana continues in developing an appropriate plan to satisfy Condition 4 of the CNSOPB Decision Report.

6.0 Administration

It was a busy year for the support staff of the Board. Considerable time and effort was spent setting up the Deep Panuke Secretariat, renovating the Geoscience Research Centre, and developing the Data Management Centre. All projects were completed on time and on budget.

6.1 Staffing Changes

In the last fiscal year the Board made staffing changes in order to support its regulatory mandate and new strategic direction. The Board hired two new geoscientists to work on the interpretation and evaluation of data as part of its strategic goal to optimize Resource Management. As a result of a communications audit, the Board hired a communications advisor as a member of the management team. The position was created to ensure the Board is communicating effectively with a range of stakeholders from media, government, industry, NGOs and the public.

6.2 Alternate Board Members

Two alternate Board members were appointed in 2007 - Mr. Tim Brownlow was appointed by the province of Nova Scotia and Mr. Douglas Gregory was appointed by the Government of Canada.

6.3 Joint Occupational Health and Safety (JOHS)

The CNSOPB continues its commitment to supporting the valuable role of the JOHS Committee. Employee involvement with the Committee was high and fiscal year 2007-08 resulting in the completion of a review of the CNSOPB safety program by the Board staff in consultation with the JOHS Committee.

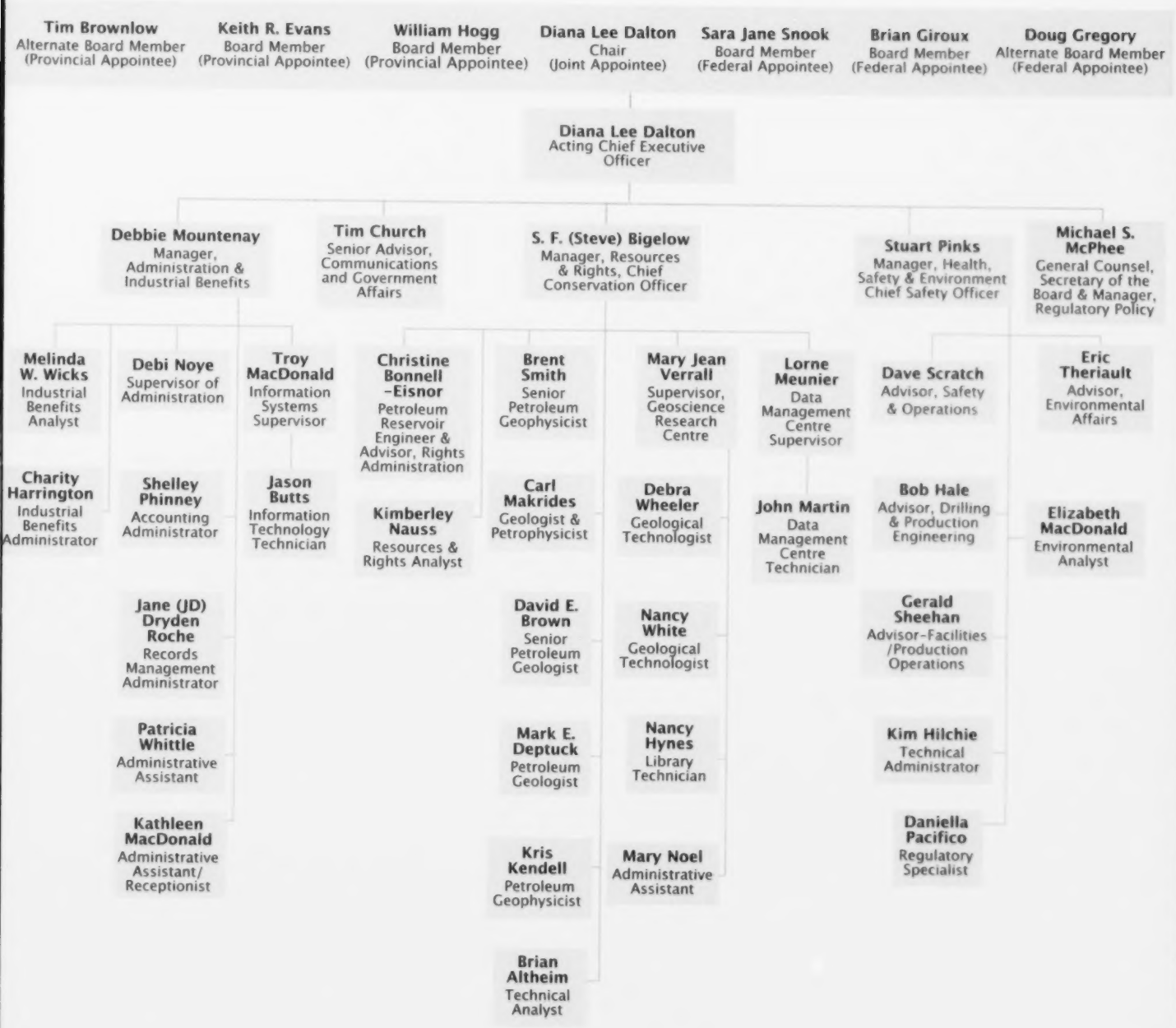
6.4 Board Website

Recognizing that the Internet is a key tool for disseminating information to the public and stakeholders in Canada and around the world, staff began updating the Board website in fiscal year 2007-08. New features include: a searchable license registry, improved access to greater amounts of geoscience data, better access to public environmental assessment registries, and a library of Board publications. The project is expected to be completed by the second quarter of 2008.

6.5 Royalties

The Board received $351,943,055 in royalties during the past fiscal year in respect to production from ExxonMobil Canada Ltd's Production Licences 2903 (Venture), 2904 and 2905 (Thebaud), 2906 (North Triumph), 2907 (Alma) and 2908 (South Venture). These funds have been forwarded to the Receiver General of Canada in accordance with the Royalty Collection and Administration Agreement signed by the Board, the federal government, and the province of Nova Scotia.

Figure 7 - CNSOPB Organizational Chart



7.0 Board Biographies

Diana Lee Dalton

Chair, Canada-Nova Scotia Offshore Petroleum Board

Diana Dalton, a native of Yarmouth, Nova Scotia and lawyer by training, has extensive experience in dealing with international legal and regulatory issues. She has worked for the United Nations, the World Bank, the OECD and USAID on projects in over 30 nations around the world. An experienced regulator, Ms. Dalton has drafted laws, regulations and administrative procedures for the mining, petroleum and energy sectors in nations such as India, China, Vietnam, Papua New Guinea, and Ethiopia. From 1991 to 1995 she served as the Interregional Advisor in Natural Resources to the United Nations Department of Economic and Social Development at UN Headquarters in New York City. Ms. Dalton was also part of the negotiating team for Nova Scotia resulting in the Canada-Nova Scotia Offshore Oil and Gas Agreement of 1983-84. She is Chair and Acting CEO of the Canada-Nova Scotia Offshore Petroleum Board and works as an independent consultant from her home in Halifax.

William D. Hogg

Board Member

Bill Hogg is retired from 25 years in the Nova Scotia Public Service. Mr. Hogg worked in the Department of Health, was Director of Audits in the Office of Auditor General, and Executive Director, Finance and Administration for the Department of Government Services. He was appointed Deputy Minister of Government Services in April 1993 and served as Deputy for the next 10 years in the Departments of Natural Resources, Transportation and Public Works, and most recently Finance. Mr. Hogg became a Chartered Accountant in New Brunswick, where he worked with a national accounting firm before joining the Nova Scotia Civil Service. In addition to his role as Deputy Minister, Mr. Hogg served on the Boards of numerous Crown Corporations, completed a three year term on the Public Sector Accounting Board, and received the Institute of Public Administration's Lieutenant Governor's Award for

Excellence in Public Administration in 2003. Mr. Hogg chaired the PSAB Study Group, Accounting in Government Budgeting and is currently engaged in providing management consulting services.

Brian Giroux
Board Member

Brian Giroux is the Executive Director of the Scotia Fundy Mobile Gear Fishermen's Association, a position he has occupied since 1989. Mr. Giroux has broad experience as a government consultant on resource assessment and aquaculture projects, and has served as an International Fisheries Observer for the Department of Fisheries and Oceans. He owns and operates a shellfish farm and holds various fishermans' licenses. He has worked on various types of vessels, catching a number of different species. Throughout his career, Mr.Giroux has been involved in a number of committees and programs. He is a past member of the Council of Science and Technology Advisors, Past Chairman of the Department of Fisheries and Oceans Science Advisory Council, and Chairman of the Scotia Fundy IQ (Individual Quota) Committee.

Sara Jane Snook
Board Member

Sara Jane Snook is a professional engineer with over 20 years of experience in corporate finance and oil and gas development. She holds a Bachelors and Masters Degree in Engineering from the Technical University of Nova Scotia (now part of Dalhousie University). Sara Jane began her career in Calgary, Alberta working for a large, multinational oil company. She returned to Atlantic Canada to join the Nova Scotia government. After a decade, which saw the first oil production and the first gas project in the Nova Scotia offshore accomplished, she returned to the private sector and spent five years in corporate banking with a large Canadian bank and three years as Executive Director of Springboard, an organization to promote technology transfer at Atlantic Canadian Universities. She is currently Principal of SJD Management Ltd. providing consulting services in science and technology innovation and commercialization.

Keith R. Evans, Q.C.

Board Member

Keith Evans is a practicing member of the Nova Scotia Barristers' Society and the Law Society of Alberta. He resides in Edmonton, Alberta, where he is Vice President, Legal & Corporate Secretary for Lilydale Inc., one of Canada's leading chicken and turkey processors. Until the end of 2006, he served as the General Counsel for Scomi Group Berhad, a Malaysian public company, and the KMC Oiltools Bermuda Limited group of companies, which are owned by Scomi. That group was involved in drilling fluid and waste management activities in the oil and gas sector worldwide. With this experience, Keith has been involved in many aspects of the oil and gas industry for over 15 years. He holds an LL.B. Degree from Dalhousie University and an LL.M from the University of Sydney, Australia. He originally started his legal practice in Halifax with what was then Cox, Downie, Nunn & Goodfellow, and also worked with Baker & McKenzie, the world's leading global law firm, in their Singapore Office. He has served on the full-time faculty at the Law Schools at the National University of Singapore and Dalhousie University. From 2002-06, he also served as President of the Nova Scotia Law Reform Commission.

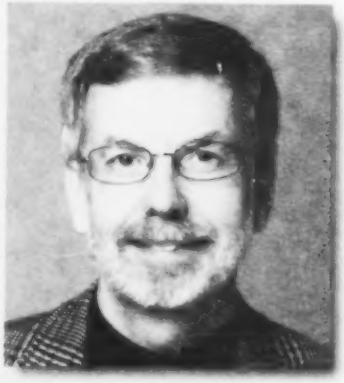
Tim Brownlow

Alternate Board Member (Provincial)

Tim Brownlow is Business Development Manager for Kiewit Energy Canada Corporation in Calgary, Alberta. He served as Director of JD Irving Limited Offshore Services, from 1998 to 2008. He began his offshore career in the oil and natural gas industry in 1978 working for the following companies: ODECO Drilling, Magcobar, and Rowan Companies Inc., both domestically and internationally. He then joined the Nova Scotia Government in 1990, holding positions as Petroleum Operations Officer, Director of Benefits & Training and Chief Advisor for the Department of Natural Resources and the Offshore Energy Office. During Tim's offshore and government days he was fortunate to have been directly involved from the discovery phase through to the production phase for both the Sable Offshore Energy Project and the Cohasset-Panuke project. He has served on

numerous boards and committees, including: the Premier's Energy Advisory Council, Chairman of the Offshore/Onshore Technologies Association of Nova Scotia, the Atlantic Energy Roundtable, seconded to the Grampian Regional Council (Aberdeen, Scotland), Associate Member for the World Energy Cities Council, and former Co-Chair for the Federal/Provincial Regulatory Review Committee.

Douglas (Doug) Gregory
Alternate Board Member (Federal)



Doug Gregory's career with Shell Canada and Royal Dutch Shell spanned over three decades. He began as an exploration geophysicist in Canada and would later work with Petroleum Development Oman, a joint venture company working in Muscat, Sultanate of Oman. After returning to Calgary and focusing on exploration in Western Canada, he went on to hold various management positions including: Exploration Research Manager at Shell Canada's Calgary Research Centre, Manager Geophysical Operations, and Manager, Safety and Environment providing technical support to Shell Canada's Upstream Operations. In 1999, Doug moved to Halifax to open Shell Canada's exploration office, focusing on Deep Water seismic exploration over Nova Scotian slope (Deep Water) acreage. He retired as East Coast Manager in 2003. He has been active in various organizations including: Co-chair, Petroleum Fisheries Liaison Group - Canadian Association of Petroleum Producers (CAPP) 2001-03; Chair, Atlantic Canada Committee - CAPP 2001-03; Director, Greater Halifax Partnership representing the Energy sector (2002-04); and, President, Rotary Club of Halifax Northwest (2007-08). He holds a M.Sc. in Microwave Physics (1970) from the University Of Waterloo, Ontario and a B.Sc. Math & Physics (1969) from Sir George Williams University, Montreal. Doug resides in Halifax, Nova Scotia.

8.0 Financial Statements

AUDITORS' REPORT

TO THE MEMBERS OF
CANADA-NOVA SCOTIA OFFSHORE PETROLEUM BOARD:

We have audited the statement of financial position of Canada-Nova Scotia Offshore Petroleum Board as at March 31, 2008 and the statement of revenue and expenditures and cash flows for the year then ended. These financial statements are the responsibility of the Board's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Board as at March 31, 2008 and the results of its operations and the cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Levy Casey Carter MacLean

LEVY CASEY CARTER MACLEAN
CHARTERED ACCOUNTANTS

Halifax, Nova Scotia
April 21, 2008

CANADA-NOVA SCOTIA OFFSHORE PETROLEUM BOARD

STATEMENT OF FINANCIAL POSITION — MARCH 31, 2008

ASSETS

	2008	2007
Current		
Cash	$ 1,389,268	$ 2,802,602
Guaranteed Investment Certificate - Cashable	-	1,000,000
Receivables (note 3)	1,010,211	1,042,315
Prepaid expenses	109,056	58,205
	2,508,535	4,903,122
Property and equipment (note 4)	1,925,579	1,242,531
	$ 4,434,114	$ 6,145,653

LIABILITIES

Current		
Payables and accruals, trade	$ 631,445	$ 1,638,506
Payable to governments (note 5)	555,006	1,102,082
Deferred operating grants (note 6)	-	388,862
Deferred revenue - Public Process for the Deep Panuke Project	-	334,519
Deferred grants - GRC (note 7)	268,638	794,240
	1,455,089	4,258,209
Deferred capital grants (note 2)	649,137	226,902
Deferred capital grants - GRC (note 7)	1,276,441	1,015,628
Accrued pension obligations (note 8)	331,273	308,604
Accrued employee future benefit obligations (note 9)	893,056	336,310
	4,604,996	6,145,653
Commitments (note 11)		

NET ASSETS (DEFICT)

Unrestricted net assets (deficit)	(170,882)	-
	$ 4,434,114	$ 6,145,653

Approved by the Board

Diana Lee Dalton
Director

Director

CANADA-NOVA SCOTIA OFFSHORE PETROLEUM BOARD

STATEMENT OF REVENUE AND EXPENDITURES — YEAR ENDED MARCH 31, 2008

	2008	2007
Revenue		
Operating Grants		
Government of Canada	$ 3,167,500	$ 2,460,000
Government of Nova Scotia	3,167,500	2,460,000
GRC Grants		
Government of Canada	448,501	638,580
Government of Nova Scotia	448,501	638,580
	7,232,002	6,197,160
Add: Costs recovered from industry	2,522,515	2,366,903
Interest and other	88,003	93,153
Gain on disposal of property and equipment	600	1,186
Amortization of deferred capital grants	223,701	132,424
Amortization of deferred GRC grant	454,222	183,455
	10,521,043	8,974,281
Less: Cost recoveries refunded to government	(2,522,515)	(2,366,903)
Deferred capital grants	(645,935)	(144,091)
Deferred GRC capital grants	(715,035)	(1,199,083)
Deferred operating grants	-	(388,862)
	6,637,558	4,875,342
Expenditures		
Personnel, consulting and Board members	3,719,275	3,262,052
General office and support	1,097,688	705,980
Office and laboratory premise costs	540,365	421,941
Amortization of property and equipment	223,701	132,423
Amortization of GRC property and equipment	454,222	183,455
GeoScience research centre	181,967	78,077
Pension obligations cost	22,669	31,475
Other retirement obligations cost	558,553	49,939
Diving certification	10,000	10,000
	6,808,440	4,875,342
Excess (deficiency) of revenue over expenditures	(170,882)	-
Unrestricted net assets, beginning of year	-	-
Unrestricted net assets (deficit), end of year	$ (170,882)	$ -

STATEMENT OF CASH FLOWS

YEAR ENDED MARCH 31, 2008

	2008	2007
Operating Activities		
Excess (deficiency) of revenue over expenditures	$ (170,882)	$ -
Amortization of deferred capital grants	(223,701)	(132,423)
Amortization of deferred GRC capital grants	(454,222)	(183,455)
Amortization of property and equipment	223,701	132,423
Amortization of GRC property and equipment	454,222	183,455
Gain on disposal of property and equipment	(600)	(1,186)
SERP pension cost (note 8)	22,669	31,475
Other retirement pension cost (note 9)	556,746	49,939
	407,933	80,228
Net change in non-cash working capital balances related to operations (note 10)	(2,821,866)	2,542,061
	(2,413,933)	2,622,289
Investing Activities		
Proceeds on disposal of property and equipment	600	1,186
Purchase of		
Leasehold improvements	(131,084)	(7,420)
Leasehold improvements - GRC	(433,401)	(238,382)
Furniture and equipment	(46,990)	(4,213)
Furniture and equipment - GRC	(9,305)	(40,923)
Computer equipment	(98,231)	(81,694)
Computer equipment - GRC	(48,297)	(919,779)
Computer software	(286,012)	(45,402)
Computer software - GRC	(202,791)	-
Equipment	(83,618)	(5,363)
Equipment - GRC	(21,242)	-
Deferral of capital grants	645,935	144,091
Deferral of GRC capital grants	715,035	1,199,083
	599	1,184
Increase (decrease) in cash and equivalents during year	(2,413,334)	2,623,473
Cash and cash equivalents, beginning of year	3,802,602	1,179,129
Cash and cash equivalents, end of year	$ 1,389,268	$ 3,802,602

1. Purpose of organization

The Canada-Nova Scotia Offshore Petroleum Board was formed to administer the relevant provisions of the Canada-Nova Scotia Offshore Petroleum Resources Accord Implementation Acts enacted by the Parliament of Canada and the Legislature of Nova Scotia. The Board is funded by grants from the Federal and Provincial Governments in equal contributions. The Board collects and remits to the Governments cost recovery charges assessed against industry from regulatory reviews, up to a maximum of 50% of the Board's approved budget. The Board is a non-profit organization and is, therefore, exempt from income tax.

2. Accounting policies

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles and include the following significant accounting policies:

(a) Property and equipment

Property and equipment are recorded at cost, less accumulated amortization. Capital asset purchases under $2,500 will be recorded as expenditures. Amortization is recorded using the straight-line method over four years for furniture, fixtures and equipment and over three years for computer equipment and software. Leasehold improvements are amortized over the life of the lease.

(b) Deferred operating grants

Operating grants received from governments in excess of Board expenditures, net of other revenue, are credited to deferred revenue.

(c) Deferred GRC grants

Federal and provincial grants received for expansion of the GeoScience research centre are deferred and recognized into revenue on a basis consistent with the capital assets amortization charge and operating expenses incurred during the year.

(d) Use of estimates

The preparation of the financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. By their nature, these estimates are subject to measurement uncertainty and the effect on the financial statements of changes in such estimates in future periods could be significant.

(e) Revenue recognition

The deferral method of accounting is used for contributions. Recoveries revenue is recognized as the related expenditures occur.

2. **Accounting policies (continued)**

(f) Accrued pension obligations

The actuarial determination of the accrued benefit obligation and current service cost for the SERP uses the projected benefit method prorated on service (which incorporates management's best estimate of future salary levels and the plan's benefit allocation formula). Under this method an equal portion of the total estimated future benefit (i.e. with future salary levels and inflation), is attributed to each year of service.

For the purpose of calculating the expected return on plan assets, those assets are valued at fair value.

Actuarial gains (losses) arise from the difference between actual long term rate of return on plan assets for a period and the expected long term rate of return on plan assets for that period or from changes in actuarial assumptions used to determine the accrued benefit obligation. Cumulative gains and losses in excess of 10% of the greater of the accrued benefit obligation and the market-related value of the plan assets are amortized over the average remaining service period of active members expected to receive benefits under the plan.

Obligations are attributed to the period beginning on the later of January 1, 1992 and employee's date of joining the plan and ending on the earlier of the date of termination, death or retirement.

(g) Employee future benefits

Employees of the Board participate in the Province of Nova Scotia Pensioners Extended Health Plan upon retirement. This plan provides health care coverage to age 65. Employees are also eligible for one week of salary for each year of pensionable service, to a maximum of 26 weeks for Board staff who retire upon becoming eligible for retirement. These retirement benefits are recorded on an accrual basis based on an actuary's estimate. Cumulative gains and losses in excess of 10% of the beginning of year obligations are amortized over the expected average remaining service of active members expected to receive benefits under the plan (16 years). Obligations are attributed to the period beginning on the member's date of hire and ending on the date of reaching full eligibility for benefits.

3. **Receivables**

	2008	2007
Harmonized sales tax recovery (payable)	$ (3,472)	$ 52,615
Government grants	791,875	836,400
Interest accrued	4,432	45,049
Other	217,376	108,251
	$ 1,010,211	$ 1,042,315

4. **Property and equipment - General**

	2008			2007
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Leasehold improvements	$ 532,997	$ 401,913	$ 131,084	$ 69,021
Furniture and fixtures	425,598	370,391	55,207	26,894
Computer equipment	662,648	538,726	123,922	84,056
Computer software	511,741	250,697	261,044	38,160
Equipment	168,035	90,155	77,880	8,771
	2,301,019	1,651,882	649,137	226,902
Property and equipment - GRC				
Leasehold improvements	671,782	116,775	555,007	213,339
Furniture and fixtures	50,228	16,509	33,719	35,808
Computer equipment	968,076	467,940	500,136	766,482
Computer software	202,791	33,798	168,993	-
Equipment	21,242	2,655	18,587	-
	1,914,119	637,677	1,276,442	1,015,629
	$ 4,215,138	$ 2,289,559	$ 1,925,579	$ 1,242,531

5. **Payable to government**

	2008	2007
Federal government - cost recovery funds	$ 277,503	$ 551,041
Provincial government - cost recovery funds	277,503	551,041
	$ 555,006	$ 1,102,082

6. **Deferred operating grants**

	2008	2007
Federal government	$ -	$ 194,431
Provincial government	-	194,431
	$ -	$ 388,862

7. **Deferred grants - GRC**

The Government of Nova Scotia provided a grant in its 2005-06 budget in the amount of $1,000,000 and a further $221,400 in 2006-07 to support the Board's initiatives to improve the management and dissemination of geological data. The Government of Canada provided a grant of $850,000 in 2006-07 and a further $371,400 in 2007-08 for this purpose. As at March 31, 2008, there is $268,638 (2007 - $794,240) remaining to be spent of these grants. The grants are being accounted for as described in note 2.

8. **Pension obligations**

(a) Supplementary Employee Retirement Plan (SERP)

The Board Supplementary Employee Retirement Plan provides benefits to its employees who are members of the Public Service Superannuation Plan (PSSP). Employees are eligible for membership in this plan once their pensionable earnings have reached a level such that their benefits under the PSSP are limited by the maximum pension limits under the Income Tax Act. No assets have been segregated or restricted to provide for the SERP.

The Board measures its accrued benefit obligations and the fair value of plan assets for accounting purposes as at March 31 of each year. The most recent actuarial valuation of the retirement plan for funding purposes was as of March 31, 2008. An updated actuarial valuation will be done at least every three years.

The Board has adopted the recommendations of Section 3461 of the CICA Handbook. The following is required for disclosure purposes:

	2008	2007
Components of Net Periodic Pension Cost		
Current service cost	$ 15,505	$ 17,710
Interest cost	13,228	14,048
Amortization of net actuarial loss (gain)	(6,064)	(284)
Net periodic pension cost recognized	$ 22,669	$ 31,474
Weighted-Average Assumptions for Expense		
Discount rate	5.25%	5.25%
Rate of compensation increase	2.50%	3.50%
Weighted-Average Assumptions for Disclosure		
Discount rate	6.00%	5.25%
Rate of compensation increase	2.50%	2.50%

8. **Pension obligations (continued)**

	2008	2007
Change in Accrued Benefit Obligation		
Accrued benefit obligation at the end of the prior year	$ 236,452	$ 249,873
Current service cost	15,505	17,710
Interest cost	13,228	14,048
Actuarial loss (gain)	104,663	(45,179)
Accrued benefit obligation at the end of the year	$ 369,848	$ 236,452
Reconciliation of Funded Status to Accrued Benefit Liability		
Benefit obligation at end of year	$ 369,848	$ 236,452
Unamortized net actuarial gain (loss)	(38,575)	72,152
Accrued benefit liability	$ 331,273	$ 308,604

(b) Multiemployer Defined Benefit Pension Plan

The Board contributes to a pension plan under the Public Service Superannuation Act administered by the Province of Nova Scotia. The Board matches employees' contributions calculated as follows: 7.4% (2007 - 6.4%) on that part of their salary that is equal to or less than the "Year's Maximum Pensionable Earnings" (YMPE) under the Canada Pension Plan and 9.6% (2007 - 8%) on the part of their salary that is in excess of the YMPE. The Board has recognized contributions of $219,619 in 2008 (2007 - $172,328). There is no further liability with respect to past service at March 31, 2008 except as per note 14.

9. **Accrued employee future benefit obligations**

The Board provides other retirement benefits to its employees by participating in the Province of Nova Scotia's post-retirement health insurance program and also provides retiring allowance benefits to those employees who retire from the Board. The retiring allowance benefit is new for fiscal 2008. Both benefits are funded on a pay-as-you-go basis. The Board funds on a cash basis as contributions are made. No assets have been segregated or restricted to provide the non-pension post retirement benefits.

An actuarial valuation was prepared for the first time for the fiscal year ended March 31, 2006 and then updated in 2008 for the new benefits. The valuation was based on a number of assumptions about future events, such as inflation rates, interest rates, medical inflation rates, wage and salary increases, and employee turnover and mortality. The assumptions used reflect the Board's best estimates.

	2008	2007
Components of Net Periodic Benefit Cost		
Current service cost (employer portion)	$ 68,378	$ 31,700
Interest cost	46,039	18,239
Amortization of past service costs	444,136	-
Net periodic benefit cost recognized	$ 558,553	$ 49,939

9. **Accrued employee future benefit obligations (continued)**

	2008	2007
Weighted-Average Assumptions for Disclosure		
Discount rate	6.00%	5.25%
Initial weighted average health care trend rate	7.50%	8.13%
Ultimate weighted average health care trend rate	4.50%	4.50%
Year ultimate rate reached	2015	2015
Change in Accrued Benefit Obligation		
Accrued benefit obligation at the end of the prior year	$ 365,323	$ 315,700
Current service cost (employer portion)	68,378	31,700
Interest cost	46,039	18,239
Plan amendments	444,136	-
Benefits paid	(1,807)	-
Actuarial loss (gain)	(3,691)	(316)
Accrued benefit obligation at the end of the year	$ 918,378	$ 365,323
Reconciliation of Funded Status to Accrued Benefit Liability		
Deficit at the end of year	$ 918,378	$ 365,323
Unamortized net actuarial gain	(25,322)	(29,013)
Accrued benefit liability	$ 893,056	$ 336,310

10. **Net change in non-cash working capital balances related to operations**

Increase (decrease) in cash from changes in:	2008	2007
Receivables	$ 32,104	$ 351,982
Prepaid expenses	(50,851)	(12,261)
Payables and accruals	(1,007,060)	1,446,455
Payable to government	(547,076)	350,658
Deferred revenue	(334,519)	334,519
Deferred grants	(914,464)	70,708
	$(2,821,866)	$ 2,542,061

11. Commitments

The Board has entered into various lease agreements for premises. The approximate payments required over the next five years are as follows:

2009	$ 263,318
2010	$ 252,290
2011	$ 254,032
2012	$ 256,191
2013	$ 257,934

12. Financial instruments

(a) Fair value of financial instruments

Financial instruments of the Board consist mainly of cash, marketable securities, accounts receivable, accounts payable and accrued liabilities. The carrying values of these financial assets and financial liabilities approximate their fair values given their short-term nature.

In April 2005, the Accounting Standards Board issued new Handbook sections on financial instruments, Section 3855 and Section 3861. Section 3855 Financial Instruments – Recognition and Measurement addresses when financial instruments should be recognized and how they should be measured. Section 3861 Financial Instruments – Disclosure and Presentation provides standards for how financial instruments should be classified on the financial statements and the disclosure requirements. The Board has adopted both of the sections for the fiscal year end March 31, 2008 and in accordance with the handbook section has been applied prospectively.

(b) Credit risk management

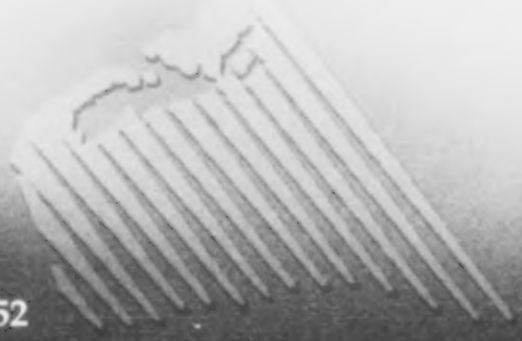
The Board is exposed to credit risk on the accounts receivable from its clients. In order to reduce its credit risk, the Board has adopted credit policies which include the analysis of the financial position of its clients and the regular review of their credit limits. The Board does not have a significant exposure to any individual client.

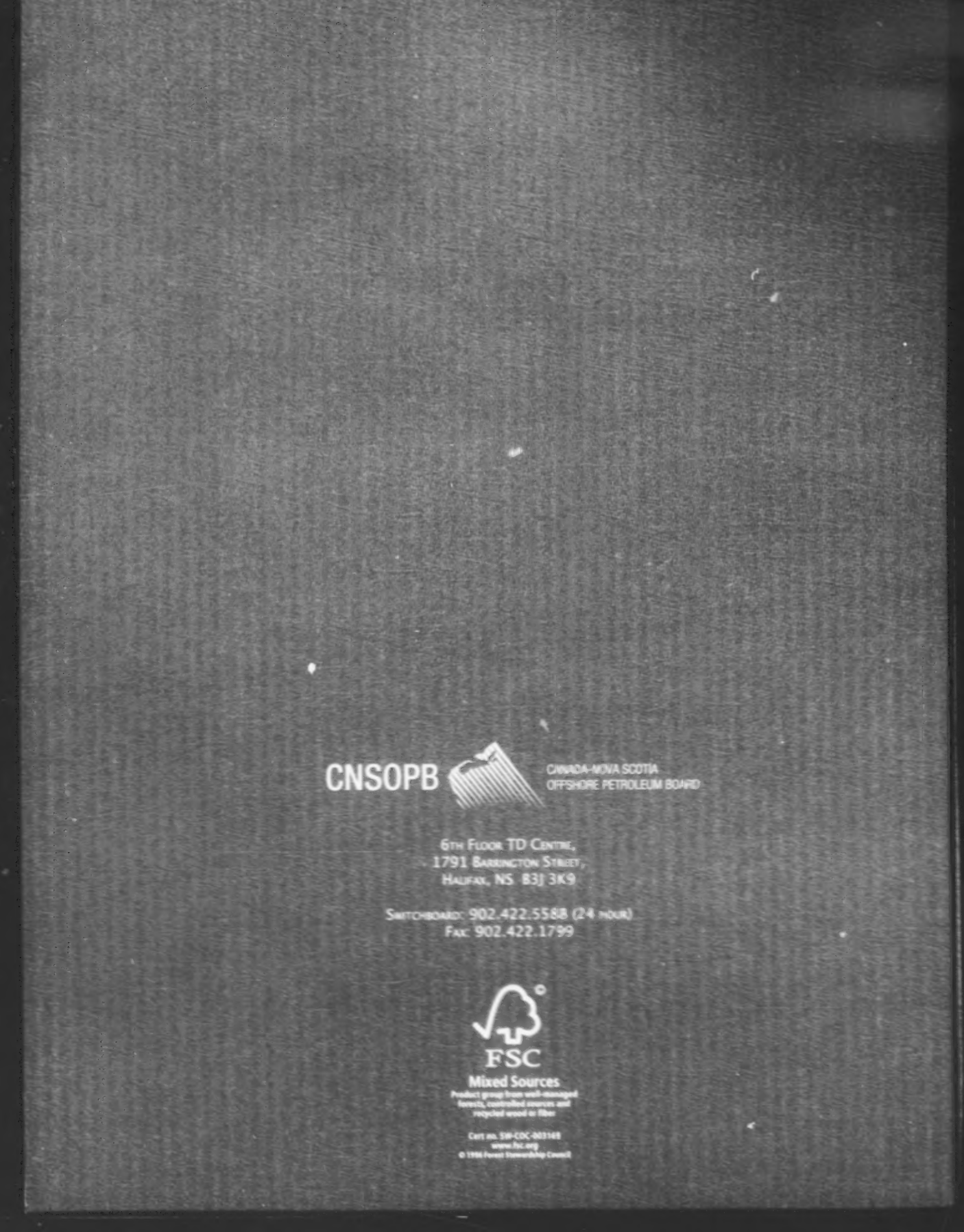
13. Comparative figures

In some cases, the comparative figures have been restated to conform with the current year's presentation.

14. Contingent liability

The Board has been made aware that past bonuses to their employees are potentially pensionable with the employee's consent. However, upon doing so there will be a liability for both the employee and the employer to make remittances to the pension in order for these bonuses to be pensionable. At this time, the amount to be contributed to the pension by the Board is unknown.





CNSOPB

CANADA-NOVA SCOTIA
OFFSHORE PETROLEUM BOARD

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1791 BARRINGTON STREET,
HALIFAX, NS B3J 3K9

SWITCHBOARD: 902.422.5588 (24 HOUR)
FAX: 902.422.1799

FSC

Mixed Sources

Product group from well-managed forests, controlled sources and recycled wood or fiber

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